

SOLUTION OF ECONOMIC CRISIS IN BUSINESS MANAGEMENT

Emil Svoboda¹ – Libor Bittner² – Patrik Svoboda³

ABSTRAKT

Vědecký příspěvek uvádí poznatky zformulované ve výzkumu MSM 6215648904 (Brno, 2011) se zaměřením na analýzu manažerských, finančních a ekonomických rizik a metody jejich řešení ve strategickém řízení podnikového managementu v novém podnikatelském prostředí s vlivy vyvolanými integračními procesy, rozvojem informačních technologií a faktory globalizace. Předmětem podrobné analýzy je Bioveta, a.s. Ivanovice na Hané. Příspěvek navazuje na výsledky výzkumu autorů uváděných ve vědeckých časopisech a konferencích, a to především IAES (Paris, 2002), FŠI ŽU v Žilině (2003 – 2011), PEF ČZU Praha 2002-2011), FEŠRR SPU Nitra (2005), Zemědělská ekonomika IV/2001 a V/2003 aj.

Klíčová slova:

Krizový management, podnikatelské prostředí, informační technologie

ABSTRACT

The scientific paper shows the results formulated in the MSM 6215648904 (Brno, 2011) and EP researches focused on the analysis of managerial, financial and economic risks and methods of their solving in strategic decision-making of business TOP management in a new entrepreneurial environment with influences caused by integration processes, development of information technology and factors of globalization. The subject of the detailed analysis is Bioveta, a.s. Ivanovice na Hané. The paper builds on the results of the authors' researches published in scientific journals and presented in conferences, especially IAES (Paris, 2002), FŠI ŽU Žilina (2003 – 2011), PEF CAU Prague (2002- 2011), FESRD SPU Nitra (2005), Agriculture economics IV/2001 and V/2003 etc.

¹ . Prof. Ing. Emil Svoboda, CSc., Department of Management PEF Mendelu in Brno, Zemědělská 1, 613 00 Brno, phone: 545132522, e-mail: esvob@mendelu.cz

² Ing. Libor Bittner, CSc., Managing Director of Bioveta, a.s. Ivanovice na Hané, Komenského 212/12, 683 23 Ivanovice na Hané, phone: 602523015, e-mail: Bittner.Libor@bioveta.cz

³ Ing. Patrik Svoboda, Ph.D., Department of Accounting and Taxes PEF Mendelu in Brno, Zemědělská 1, 613 00 Brno, phone: 545132352, e-mail: patrik.svoboda@mendelu.cz

Key words:

Crisis Management, Managerial Decision Making, Entrepreneurial Management, Information Technology

1 INTRODUCTION

The changes taking place in Europe as well as in the world have a significant impact on all economies, i.e. including the economy of the Czech Republic. Other major factors include the globalization of the market environment permeating virtually all spheres of society.

Hron (2001) states that the basic constant in the management of the development of business entities is change the proper control over which is the basic criterion for assessing the managerial work of all company managers.

The economic situation characterized by the development of the crisis gradually arose in the developed economies of the world. Švejnar (Prague 2008) states that the United States of America were the first initiator of the crisis, namely due to implementing a much less tight monetary policy in 2000, the other factors being the boom in the real estate market, complicated financial instruments, the ensuing panic and some other problems, banks and insurance companies going bankrupt, high prices of oil and foodstuffs, etc.

The quality of managerial decision-making depends on many crucial factors undergoing dramatic changes and it is the principal task of quality managers to make these changes beneficial with respect to correctly established objectives. An inappropriate response to any of the important factors of external or internal entrepreneurial environment can bring about local or more complex crisis situations.

2 GOAL

The purpose of this scientific paper is to publish the results of the research conducted by the authors of MSM 6215648904 (Brno 2011-12); the subject-matter of the analysis is the decision-making process of the management of selected companies during their life cycle and the specification of circumstances which can lead to the creation of crisis situations. One of the aims of the analyses performed is the timely response of the business management that can alleviate the impacts of crises or possibly avert an impending crisis. The published results have a methodological character and formulate the algorithm of monitoring the causes of the crisis and possible solution of the crisis by the management. The analysis is carried out in accordance with an approach developed by Svoboda (2006), the use of which concerns virtually all life cycles of the business during which crises can arise. The paper describes the causes of economic crises and their possible solutions.

3 METHODOLOGY

In order to accomplish the purpose, the authors have adopted a methodology thanks to which they could gradually achieve the purpose. The methods of strategic decision-making, controlled interview, management environment analysis and especially crisis management have been employed. The companies analysed are medium-sized business entities the object of business of which includes a wider range of activities and which use state-of-the-art technical equipment for managing the company necessary for performing individual financial, economic and accounting analyses in connection with the analyses of the management and marketing. The data amassed concern especially Bioveta, a.s. Ivanovice na Hané.

The analyses by means of the SPACE analysis, correlation tables, factor decomposition analysis, evaluation of changes by means of the aggregate price index, simulation models and Ishikawa diagram of causes and consequences have been used in the research. In this paper we are going to present especially the results received by carrying out the SPACE analysis and using the correlation table.

4 RESULTS

Below we give a brief summary of the management process in Bioveta a.s. Ivanovice na Hané that is engaged in manufacturing and marketing veterinary medicinal products and biopreparations for livestock farming. Currently the company offers 29 groups of products in more than 65 countries of the world including several products intended for human medicine. The above broad and complex object of business requires the analysed company to be able to adapt to the market requirements readily and creatively, i.e. to the requirements of a significant element of the external entrepreneurial environment. The other company systems are connected with the object of business, e.g. the organization system, company and internal management system, economic and financial system, human resources management system and the information system displaying and integrating all previous systems and therefore deciding about the approaches to the management of individual fields of activity of the company.

The framework of successful managerial work is defined by factors establishing the company identity. They include especially the below synthetic indicators:

- corporate design consisting of visually and possibly auditorily harmonized attributes of corporate symbols,
- corporate culture, i.e. a system of standards of behaviour, social conventions, and rules governing the collective behaviour of people in the company,
- corporate behaviour, i.e. the response of the company to external stimuli, external interest groups and individuals as well as impulses sent by the company to its environment, namely of information character (marketing aspects), of material and energy character (e.g. quality of products) and of mixed character,
- corporate communication, i.e. making corporate information available to the external environment. The information is classified into two basic groups, the first containing information provided to all entities, the other group containing information provided to selected users, such as suppliers, etc.
- corporate products characterized by their quality, structure, price, distribution,

form of communication and design.

- All the above components participate in creating and promoting corporate image which is often a decisive factor in attracting new customers, suppliers and cooperating entities and therefore not only all managers but all employees should make every effort to enhance the corporate image.

We are going to present the results obtained by means of the correlation table and the SPACE method in this paper.

The correlation table consists of four quadrants:

- I. showing profitable products completely satisfying current customer requirements,
- II. showing profitable products, however, failing to fully comply with current customer requirements,
- III. showing products at the break-even point, however, the company management correctly responds to customer requirements,
- IV. showing unprofitable products which fail to satisfy current customer requirements.

In compliance with the above analysis, 59.2% of marketable products of Bioveta have been classified into the first quadrant and 14.5% into the second quadrant. Products in quadrants I and II have been manufactured with cost effectiveness exceeding 10.1%, i.e. they bring considerable economic benefit.

The cost effectiveness of products in the third and fourth quadrants is up to 10.0%. 21.5% of products have been classified into the third quadrant and 4.8% into the fourth quadrant. The analysis clearly shows that products in the first quadrant satisfy the market requirements both from the point of view of economic benefits for the company and economic benefits for the customers. Products in the second quadrant are profitable but they face intense competition. This situation can be improved by responding to customer requirements more flexibly, putting the products on another market, or gradually withdrawing them from the market and stopping their production. The products in the third quadrant are still profitable but their economic benefit for the company is small. It reflects either high production costs or putting the products on unsuitable markets. The products in the fourth quadrant require a detailed assessment and either radical improvement or withdrawal from the market.

The SPACE analysis complements the above conclusions and its summary results indicate that the veterinary biopreparations and medicinal products sales sector is comparatively stable, however, the dynamics of change in sales of individual products is high. Table 1 shows the results in the monitored temporal series.

Table 1: Results of the SPACE analysis (points)

| Year | Characteristics of | | | |
|------|---------------------|---------------|--------------------|-----------------------|
| | the sector | | the company | |
| | Attractiveness rate | Stability (2) | Financial strength | Competitive advantage |
| | | | | |

| | (1) | | (3) | (4) |
|------|-----|-----|-----|-----|
| 1998 | 3.2 | 3.5 | 4.7 | 4.9 |
| 1999 | 3.7 | 3.6 | 4.9 | 5.1 |
| 2000 | 4.2 | 4.0 | 5.2 | 5.0 |
| 2001 | 3.9 | 4.0 | 5.2 | 4.9 |
| 2002 | 4.3 | 3.9 | 5.7 | 5.3 |
| 2003 | 4.4 | 4.0 | 6.0 | 5.4 |
| 2004 | 4.2 | 3.9 | 5.4 | 5.5 |
| 2005 | 4.4 | 3.7 | 5.2 | 5.2 |
| 2006 | 4.4 | 3.8 | 5.3 | 5.7 |
| 2007 | 4.2 | 3.9 | 5.5 | 5.6 |
| 2008 | 4.5 | 3.9 | 5.9 | 5.6 |
| 2009 | 4.9 | 4.2 | 6.0 | 5.8 |
| 2010 | 4.8 | 4.1 | 5.9 | 5.9 |
| 2011 | 4.7 | 4.0 | 6.0 | 5.8 |

Source: Svoboda Emil (2012)

Table 1 clearly shows that the financial strength of the company has significantly increased in comparison with the baseline, if evaluated by using a points scale, namely from 4.7 points to 6.0 points. The highest levels were achieved in 2003 and 2011, i.e. 6.0. The decrease in 2004 was due to initial problems following getting into new markets. The competitive advantage of the company has also improved as the input value was 4.9 p. and the current value is 4.0 p. Business in the sector of medicinal products and biopreparations production can be assessed as stable with the input value of 3.5 p. and current 4.0 p. The attractiveness rate also offers a good business opportunity for the company. The input value was 3.2 p. and the current value is 4.7 p. The given values are characteristic for selected markets and they are average.

5 DISCUSSION

Crisis in business management means a situation when the company is failing to achieve any of its long-term objectives, i.e. a partial crisis, or when the company is failing to achieve more long-term objectives, i.e. a major or complex crisis. The crisis can therefore be characterized as partial or complex.

The procedure making it possible to predict and tackle a crisis can be divided into three phases: danger degree analysis (1), formulation of the crisis strategy defining the degree of danger or possibly elimination (2), and implementation of the crisis strategy, i.e. reduction or removal of the crisis causes (3). The danger degree analysis derives from the strategic decision-making process, namely the management environment analysis methods. On the basis of these methods individual factors are formulated including the probability of their occurrence in the internal and external management environment. By arranging the above factors according to the probability of their occurrence and from the highest to the lowest and simultaneously expressing the impacts of the crisis, we get the so called crisis matrix. We design the crisis strategy by analysing the crisis matrix, i.e. we determine measures and procedures limiting or terminating the crisis. The above clearly shows that there are four basic combinations

of the probability of crisis occurrence including the explanation of their impacts: high probability of threat occurrence with above-average to great economic impacts (I), high probability of threat occurrence with below-average to small impacts (II), medium to small probability of threat occurrence with big economic impacts (III), medium to small probability of threat occurrence with small economic impacts (IV). The above possibilities are shown in Figure 1.

| | | I | | |
|-----------------|---|------|-------|-----|
| | | Big | Small | |
| Threats → | P | | | |
| | 1 | | | |
| | 2 | | | |
| | 3 | High | I. | II. |
| | . | | | |
| | . | | | |
| Weaknesses → | . | | | |
| | . | | | |
| | . | Low | III. | IV. |
| | m | | | |

Fig. 1 Crisis Matrix

The compilation of the crisis matrix gives general instructions on how to solve possible crisis. Situations I and III require removal of the cause of the crisis either by not undertaking the activity or gradually stopping and terminating the activity, or possibly proposal of an alternative solution. The situation II requires either limitation of the given activity or seeking an alternative solution of the given problem and the situation IV makes it possible to solve the crisis by an alternative or by taking common measures. After having formulated the crisis strategy, it is possible to devise a plan to limit or stop the crises if it arises. The data obtained from the crisis matrix can be used for a detailed map of risks containing all areas of activity of the company. The results of the research are to be used in practice by the business entities being subjects of the research.

The results received correspond with the results of research carried out by some other authors, especially Hron (2006), Gozora (2001), Šimo (2000), Švejnar (2008), Šulěř (1995), Tomšík (2004), Whitelay (1994), Zuzák (2008). The above authors lay great emphasis on managerial work, efficient undertaking of business activities and effective application of marketing in business management.

6 CONCLUSION

The analysis indicates that if the company wants to withstand the fiercely competitive pressures, it has to strive for obtaining valuable information about the management environment and other connections that the company can get on the basis of carrying out managerial, marketing, economic and financial analyses. It is possible to state that a healthy economy imposes new and exacting demands on strategic decision-making

of the business management that should use crisis management methods. The below requirements should be given preference:

- putting into practice a system of recommendations concerning mitigation of the effects of financial and economic crises,
- giving an appropriate response to the changing environment, especially external environment, including the necessary scope for creativity and meeting customer requirements,
- following modern methods of decision-making including a viable information system, state-of-the-art information technologies, detailed knowledge of strategic decision-making and implementation of suitable motivation systems for managers and all employees,
- employing recommended and adopted methods of crisis management in time in case of problems with meeting fundamental objectives of the company.

The analysis performed in Bioveta indicates that the company properly responds to external and internal factors of business management and successfully develops its profitable activities.

7 RESOURCES

- [1] DRUCKER, P.F. *Výzvy managementu pro 21. století (Management Challenges for the 21st Century)*. Prague: Management Press, 1st reprint, 2001. ISBN 80-7261-021-X
- [2] GATES, B. *Byznys rychlostí myšlenky (Business @ the Speed of Thought)*. Prague: Management Press, 1999. ISBN 80-85943-47-2.
- [3] GOZORA, V. Prispôsobovanie podnikateľskej štruktúry poľnohospodársko potravinárskeho komplexu európskym trhovým štruktúram. In *Medzinárodné vedecké dni FEM SPU Nitra*, 2001. ISBN 80-7137-715-5.
- [4] HRON, J. Změny v projektování modelů podnikatelských subjektů. In *Medzinárodné vedecké dni FEM SPU Nitra*, 2001. ISBN 80—7137-715-5
- [5] HRON, J.: Knowledge and strategic management. In: *Agricultural Economics*. Volume 52 (3) 101-1006. Prague, 2006 ISSN 0139-570X.
- [6] SVOBODA, E. Podnikatelské strategie ekonomických subjektů řízené zákazníkem. In: *Firma a konkurenční prostředí*. Department of Marketing and Trade PEF MZLU In Brno, 1999. ISBN 80-7157-37-2.
- [7] SVOBODA, E. – BITTNER, L. New Approaches to Company Management in the Czech Republic. <http://www.iaes.org/conferences/> Paris 2002.
- [8] SVOBODA, E.- BITTNER, L.-SVOBODA, P.: *Moderní přístupy v řízení podniků v novém podnikatelském prostředí*. Prague: Professional Publishing, 220 p., Prague 2006 ISBN 80-86946-12-6.
- [9] ŠIMO, D. Teoretické a metodologické otázky agrárneho marketingu. In *Aktuálne problémy agrárneho trhu*. SPU FEM Nitra, 2000. ISBN 80-8137-

750-3.

- [10] ŠULÉŘ, O. *Manažerské techniky*. Rubico. Olomouc, 1995. ISBN 80-85839-06-7.
- [11] ŠVEJNAR, J.: Referát na mezinárodním ekonomickém fóru. Prague 2008.
- [12] TOMŠÍK, P.(2004): Approches to diagnostics of agricultural and food-processing subjects. In: *Agricultural Economics*. Volume 50 (12) 552-555. Prague 2004. ISSN 0139-570
- [13] WHITELAY, C.: *Podnik řízený zákazníkem (Customer Managed Business)*. Victoria Publishing, Prague, 1994. ISBN 80-85605-69
- [14] ZUZÁK, R.: *Z podnikových krizí k vítězství*. Alfa Nakladatelství, s.r.o. Prague, 2008. ISBN 978-80-87197-01-1.

Článek recenzoval:
doc. Ing. Jozef Klučka PhD.